

Department of Labor and Industries

Contact:

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Mission statement:

We support the state's economic well-being by protecting the safety of Washington workers, providing benefits to injured workers and ensuring fair wages and quality industry services.

Goals from 2007-2011 strategic plan:

- Make Washington workplaces safer;
- Administer one of the premier workers' compensation organizations in the nation in quality of service, benefits and costs;
- Reduce the effects of fraud and abuse in the workers' compensation system and the impact on business and workers;
- Support the economic well-being of individuals and businesses;
- Protect public safety and property; and
- Deliver quality, efficient and cost-effective service to our customers.

Implementation of Priorities of Government:

POG Goal #5: Improve the economic vitality of businesses and individuals

POG Goal #4: Improve the health of Washington citizens.

- Workers' compensation rates for 2006 were set at a net zero increase. As a result, workers had a good reduction in rates. Employers had a slight increase but nothing like increases in the previous two years. Our goal is to keep rates low and stable / predictable to help economic growth.
- L&I continues to hold down medical inflation costs for treatment of worker injuries below the national average (5.9% versus 7.7% nationally), L&I leads the nation in evidence-based medicine. That means, we pay for what has been proven to work, and we don't pay for unproven procedures and those that result in only marginal improvement. We also emphasize the use of generic prescription drugs and we closely monitor drug use to ensure against over-prescribing and abuse.

POG Goal #7: Improve the safety of people and property

- Workplace safety efforts continued to show results. When employers were visited by safety inspectors, workers' compensation claims subsequently dropped by 14.3%.

How L&I's 2007-2011 strategic plan will advance relevant POG.

- Safety and economic vitality are the common themes in L&I's 2007-2011 strategic plan, present in several goals. We also focus on performance – quality service, efficiency and effectiveness. Our plan connects with other statewide results in less

obvious ways as well. We have a role in promoting health and adding value to postsecondary education through our apprenticeship efforts.

Management and performance issues:

L&I's three most important management and system improvements since January 2005:

- L&I launched an effort to provide better customer service to small businesses with the first ever Small Business Forum in June 2005. The Forum led to a series of small business roundtables throughout the state, a new L&I speaker's bureau and new communication tools for small businesses. We created a new Small Business Liaison position to work on the issues related to small business, and have begun to develop small business incentive programs in Insurance Services and WISHA.
- We completed development of and put into production a major technology tool for injured workers, their representatives, employers and health care providers. L&I's On-line Claims and Account Center dramatically expands the amount of information that these stakeholders can now access electronically.
- We continue to make progress in fraud prevention, bringing in record amounts of recovered dollars. In FY 2005, the agency spent \$13.6 million on fraud prevention and compliance and recovered \$104.9 million in unpaid industrial insurance premiums and worker benefits for a return on investment of 8.2 to 1.
- The Early Return to Work Program was created as an aid to claim managers. From July 2005 through March 2006, over 10,000 claims went to the Early Return to Work teams. Nearly 19 percent of those claimants went back to work quickly with assistance from those teams. Just under 28 percent were referred out to private vocational counselors for early intervention or an ability to work assessment. Before the Early Return to Work Program began, under 24 percent of the people referred to voc returned to work for their employer of record. Currently, that number is around 30 percent.
- A University of Washington study of the Center of Occupational Health and Education (COHE) that L&I established in Renton found it saved nearly \$6 million in claim costs in a single year. The Center, which serves injured workers in South King and Northern Pierce counties, was established on the premise that prompt and appropriate medical treatment, coupled with an emphasis on early return-to-work, would result in less disability, lower claim costs and improved worker/provider satisfaction. Another COHE unit operates in Spokane with planned expansion this year.
- The agency helped produce a significant increase in the recovery of unpaid wages returned to low-wage workers. More than \$1.9 million was recovered for these workers; up from \$1.2 million in 2004.

Top challenges L&I faces in achieving management goals during rest of 05-07 biennium:

- Workers' compensation premium rates can be impacted by changes in the state and national economy. A significant portion of workers' comp benefits are paid from investment income. If income is reduced, then rates would have to be increased. An economic downturn also can result in more long-lived claims, also increasing costs.

- L&I has set up a pilot project to give injured workers the option of filing a workers comp claim either through their physician or their employer. Currently, Washington is the only state where claims are filed through the injured worker's physician rather than by the employer. We are recruiting 500 employers to participate in the project, and interest is high.
- Some injured workers qualify for vocational rehabilitation assistance. L&I spends a great deal of money on vocational counselors and the vocational process but not as much on retraining. We are looking at changes to use more money for retraining in areas where there are jobs – perhaps in partnership with trade schools or community colleges.
- L&I restructured its field offices in 2005, aimed at ensuring continuity and consistency statewide. The new centralized structure make sure businesses are treated consistently in safety inspections and other dealings with L&I. The transition to the new structure has gone smoothly. Changes like this require a great deal of work to implement in the first few years
- Injured workers who are unable to return to their jobs can qualify for partial wage replacement. The amount is based on a complicated formula of past wage rates and benefits and family size. The current system of calculating wages and benefits is very cumbersome. It's intrusive to workers, hard to administer and a barrier to more efficient claims processing. We hope we can reach agreement on some form of wage simplification.

Long-term strategic direction:

Emerging L&I issues over next 5 to 10 years that will impact the state's ability to strengthen its position as a national leader and ability to compete worldwide.

- Looming just over the horizon is an aging workforce which could pose new challenges in keeping workers safe from injuries. More and more older workers are staying in the workforce longer. We know that injured older workers take longer to recover. We must develop new strategies for preventing injuries and getting injured older workers back to work as quickly as they are able.
- As mentioned earlier, L&I has been able to keep a handle on rising medical costs but they remain a key driver in increasing workers' compensation costs for employers and workers.
- The number of injured workers who are qualifying for lifetime pensions is rising at a rate that may not be sustainable. Increasing pension rate costs may push premium rates higher than employers and workers can tolerate. We may need legislative remedies such as clarifying what qualifies a worker for a pension.
- Musculoskeletal "ergonomic" injuries continue to be the largest type of workplace injuries. L&I is emphasizing voluntary compliance with employers but lack of clear enforcement authority may cause these injuries to continue at high levels.
- L&I promotes and regulates apprenticeship programs throughout the state. Apprenticeships are a key way to supply the skilled workers needed in our state. Employers and workers are pushing to expand the types of apprenticeship programs and increase the number of apprentices starting and completing programs.